

## Policy Letter; Gym Membership Sourcing; September 29, 2016

Topic Code: S329 Sourcing

Document Reference: 16300064

*Sent via email*

September 29, 2016

Tammy Chalupa  
202 Salem St.  
Blue Grass, IA 52726  
tchalupa@horanbarker.com

**Re: Gym Membership Sourcing**

Dear Ms. Chalupa:

The Iowa Department of Revenue (“Department”) has received your email regarding how to determine whether the sale of a gym membership occurs in Iowa or Illinois.

### **Facts as Provided in Your Letter**

An owner of a gym has multiple locations in Iowa and Illinois. Membership in the gym includes access to all of the gym locations in both states. You want to know how to determine whether a sale of one of these memberships occurs in Iowa or Illinois for sales and use tax purposes.

### **Analysis**

Sales of gym memberships fall within the taxable service of “commercial recreation” for Iowa sales and use tax purposes. Iowa Code § 423.2(6). Whether a service is sourced to Iowa is determined by location where the first use of that service occurs. Iowa Code § 423.15.

The sourcing of gym memberships that include multiple locations, like the ones you describe, depends upon the first location where the customer uses the membership to gain access to the gym. If the first gym location the member accesses after joining is in Iowa, the sale will be sourced to that location (please note that depending on the location, a local option sales tax may apply to the sale as well). If the first location the member visits is outside of Iowa, then, at least for Iowa purposes, the sale will be sourced outside of Iowa, and no Iowa sales tax will be due.

The Department cannot offer you advice on how Illinois would treat these sales for purposes of the applicable Illinois sales or use tax, if any.

I hope this information has been helpful to you. Please remember that this letter is an informal opinion based only on the facts you provided and on the current law. In the future, the Department could take a

position contrary to that stated in this letter. Any written advice or opinion rendered to members of the public by Department personnel that is not pursuant to a Petition for Declaratory Order under 701 IAC 7.24 is not binding upon the Department. If you have any additional questions regarding this matter please do not hesitate to contact me.

Sincerely,

Ben Clough  
Policy Section  
Taxpayer Services and Policy Division  
Iowa Department of Revenue  
(515) 725-2176  
ben.clough@iowa.gov